

# ASX RELEASE.

## BELL FINANCIAL GROUP

### **Bell Financial Group (BFG) to seek shareholder approval to acquire the 43.37% of Third Party Platform Pty Ltd (TPP) shares it does not already own taking its ownership to 100%**

#### **Key points**

- TPP is an online broking platform that operates across three broad channels - Wholesale, through its **Desktop Broker** brand, Retail, through its **Bell Direct** brand, and Institutional through its white label product offer (major clients - Macquarie Online Trading and HSBC Online Share Trading).
- BFG has entered into a Share Sale Deed with all TPP shareholders to acquire the remaining 43.37% shares it doesn't already own for \$36.86 million cash consideration, valuing 100% of TPP at \$85 million.
- The independent expert valued TPP in the range of \$82.7 million to \$88.1 million and concluded the transaction is both fair and reasonable to non-associated shareholders.
- **The acquisition is conditional** on receiving shareholder approval because some of the shares to be acquired are owned by certain BFG Directors and management.
- The acquisition will be funded through a renounceable rights issue to raise between \$30 million and \$35 million. **The rights issue is conditional** on receiving shareholder approval to proceed with the acquisition.
- BFG major shareholder Bell Group Holdings Pty Ltd will fully underwrite the rights issue.
- BFG shareholder approval for the transaction will be sought at the AGM to be held on 30 May.

**Monday, 30 April 2018** – TPP's online broking platform is used by retail clients (the 'Bell Direct' brand), by financial planners (the 'Desktop Broker' brand) and by financial institutions (who 'white label' the platform for their clients). TPP currently has more than \$15 billion in sponsored holdings, more than 117,000 active clients and is growing strongly. Core platform development expenditure is largely complete and the business is now sustainably profitable. It is highly scalable, without the need for further significant growth in expenditure, resulting in a material profit margin on incremental revenues.

We believe that TPP is unique in the marketplace as the only online broker with its own proprietary end-to-end technology. Bell Direct has won numerous awards, including the *AFR Smart Investor* Blue Ribbon Award for Best Online Broker in 2013, 2014 and 2015, and in addition, has been awarded number one in Overall Client Satisfaction in online broking by Investment Trends for the last five years running.

The Board considers that now is the time to acquire the remaining 43.37% of TPP that Bell Financial Group does not own, taking its ownership to 100%.

We consider the Transaction to be important for Bell Financial Group for the following reasons:

- Investment in technology and platforms is a core strategy that we believe provides us with a competitive advantage, and will enable the building of shareholder wealth by diversifying and growing non-traditional, recurring revenue streams.
- The proprietary software that has been developed is arguably the best of its type.
- There is the potential to release at least \$4 million in regulatory and working capital from TPP over the medium term under full BFG ownership.
- There is the potential to realize \$3 million to \$4 million per annum in recurring operational synergies through integration and use of TPP's technologies across all of BFG's businesses.
- TPP has tax losses in excess of \$17 million, the full benefit of which may become available under BFG ownership.

- TPP has a high degree of operating leverage, is growing strongly, and we anticipate will be an important source of profit growth for BFG.
- Full ownership of TPP should remove any barriers to releasing the inherent value in the intellectual property that has been developed.

The purchase price takes into consideration the intellectual property being acquired, TPP's strong growth profile, the future benefits the Group expects to realise from investing in technology and platforms, and was based on an **independent valuation** which valued 100% of TPP on a standalone basis at between \$82.7 million and \$88.1 million.

It is intended to raise approximately \$30 million to \$35 million through a fully underwritten renounceable rights issue to substantially fund the Transaction. Funding through a renounceable rights issue provides shareholders with an equal right to participate and to avoid being diluted. Shareholders who choose not to participate can sell their entitlements and still receive fair value.

As some of the shares in TPP are owned by certain Bell Financial Group Directors and management, shareholder approval for the acquisition will be sought at the AGM on Wednesday 30 May 2018. The rights issue will only proceed if shareholder approval for the acquisition is received. The independent expert has concluded that the transaction is **both fair and reasonable to non-associated shareholders**.

**ENDS ...**

**About Bell Financial Group:**

Bell Financial Group Ltd (ASX: BFG) is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 600 employees, operates across thirteen offices in Australia and has offices in London and Hong Kong. Bell Financial Group has a 56.63% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

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